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Chile

Wine

Situation and Outlook Report

2001

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Report Highlights:
The outlook for Chilean wine this year is slightly lower production, but better quality and increased exports. Chile's vineyards are paying particular attention to improving quality in an effort to increase sales, both domestic and foreign.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Santiago [CI1009], CI

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Executive Summary

Chile's total wine output in MY 2000 (Jan-Dec, 2001) is expected to be down slightly after the substantial upward revision to the MY 1999 production estimate. Nonetheless, MY 2000 production will be near-record and is expected to show improved quality. As a result, MY 2000 exports are expected to be higher. At $542 million, the value of MY 1999 exports was up over the previous year as volume sales increased. In the coming years, Chilean wine production will likely continue to increase based on newly planted area and replacement of existing vineyards with new improved varieties. The current forecast is that Chilean wine exports will reach at least $680 million by the year 2003, with a volume of about 350 million hectoliters.

Planted Area

Chile's Ministry of Agriculture estimates total planted area in calendar 2000 at 90,000 hectares, up from 83,000 hectares the previous year. Out of the total planted area, over 65 percent are of the red varieties. New vineyards continue to be established, and existing operations continue to expand and/or replant to more export varieties. As a result, Chile's total exportable wine is expected to increase significantly in coming years.

However, total area and production of "traditional" (non-varietal) vineyards is estimated to be down. Chile currently has more than 50 commercial wineries, which are increasingly concerned that growth in planted area in Chile and elsewhere will lead to over-production and depressed international prices. The industry's strategy, therefore, is to develop exports of more premium quality and reserve wines while reducing sales of bulk wine. This strategy has begun with replanting vineyards with distinctive varietals best suited for local climatic and soil conditions. Chile's wineries are also expected to reduce use of surplus table grapes as their own production or wine grapes increases.

Production

The production estimate has been raised significantly for MY 1999 (Jan-Dec, 2000). Better than expected weather during the spring and summer, and additional new vineyards coming into production, explain most of the increase. The use of more table grapes is another factor for the increased wine output.

For MY 2000 (Jan-Dec, 2001), the initial forecast is for lower output of wine, but increased supplies of higher-quality product relative to last year. Most wineries have reportedly taken measures like increased pruning of grape bunches which may reduce total output but direct more of the vines' energy to better quality grapes for higher quality wine. They also have raised their quality specifications for grapes or grape musts from other producers. As a result, an above-average area of vines is expected to go unharvested, and the use of table grapes for wine will probably be substantially lower this season. On the other hand, however, another large increase in wine production could result anyway if, as expected, a larger amount of newly planted area comes into production. This might also be exacerbated by extensive areas which are in the higher yielding stage of production.

Table 1: Chile - Wine Production, Consumption and Exports					
				Exports	
	Area Planted (Th. Has)	Production (Mill. Ltrs.)	Per Capita Consumption	Mill. Ltrs.	Mill. US$
1982	105	603	52	8	11
1983	95	550	47	9	9
1984	78	500	42	9	9
1985	71	450	37	11	11
1986	67	460	33	12	13
1987	67	440	35	14	17
1988	66	423	35	17	22
1989	66	390	30	29	35
1990	65	398	25	43	52
1991	62	292	22	65	85
1992	62	370	17	74	119
1993	62	486	13	87	128
1994	53	411	13	111	143
1995	54	385	15	130	182
1996	56	481	16	185	294
1997	63	536	16	224	428
1998	75	547	17	251	540
1999	83	481	18	240	534
2000	90	660	20	256	542
2001 1/	92	650	22	304	597
2003	95	750	24	350	680
1/ FAS/Santiago forecast					
Source: National Agricultural Society (SNA) and Central Bank.					

Trade

Chile's wine exports for MY 2000 are projected to increase significantly over last year, where the export estimate has been lowered slightly based on Chile's official trade data. Higher quality and level prices are expected to spur overseas demand. It is also worth noting that while MY 1999 volume and value were up over the previous year, the average price per hectoliter was down.

Chile traditionally exports both bottled and bulk wine. While the volume of bottled wine exports has been increasing, bulk wine exports continue to fall. Bottled wine with a certificate of origin represented over 50 percent of total wine exports in 2000. Currently, Chile exports wine to over 100 countries. In MY 1999, the United States took the lead over the United Kingdom as the largest markets for Chile's bottled wine with certificate of origin, while Canada was Chile's largest bulk market.

In spite of a sufficient quantity of table grapes available for domestic wine production, most wineries imported larger volumes of lower quality, low-priced wine for the domestic market in MY 1999 . Wine imports are mainly in cartons (tetrapack) from Argentina. U.S. wine is also available, usually in premium outlets. However, demand is low due to prices well above the market average. This explains much of the sharp decline for import of U.S. wine from 1999 to 2000. The tariff rate for U.S. wines in calendar 2001 is 8 percent ad valorem. There are also an 18 percent value-added tax and a 15 percent liquor tax applied to all wines sold in Chile.

Table 2: Chile - Wine Export Prices
(FOB current US$ per Hectoliter)

	Champagne	Bottled Wine	Bulk	Average
1990	236	143	42	111
1991	225	162	56	180
1992	239	184	76	161
1993	244	186	62	148
1994	246	172	49	129
1995	243	223	73	140
1996	252	239	79	159
1997	262	261	108	191
1998	269	282	119	215
1999	233	290	108	214
2000	247	228	116	211

Source: Central Bank of Chile

Table 3: Chile - Real Domestic Farm Gate Wine Prices (CH$ Per Liter)							
1981	**1985**	**1990**	**1996**	**1997**	**1998**	**1999**	**2000 1/**
181	98	101	188	313	364	374	344
Exchange rate: US$1.00 = CH$571.							
1/ Price for first 10 months of 2000 only. Prices are in January 2001 Chilean pesos.							
Source: ODEPA (Ministry of Agriculture).							

Stocks

Stock figures in the PS&D include wine which is in the aging process for both the domestic and export market. Stocks vary significantly from year to year depending on production fluctuations, particularly variations in the volume of table grapes going to wine. Stocks have increased in recent years as domestic sales and exports have not kept pace with increased production.

Policy

Wine production and exports are regulated and certified by the Agriculture and Livestock Service (SAG) of the Ministry of Agriculture. All wine produced in Chile for both the domestic and export markets is periodically sampled by SAG, which issues an export certificate that includes the wine's origin and quality. Strict labeling regulations are also enforced for both domestic and imported wines. The government provides no funds to support wine production or subsidize exports. However, ProChile, the Export Promotion Bureau of the Ministry of Foreign Affairs, supports the wine industry in international shows to promote wine exports.

PS&D Table - Wine

PSD Table						
Country	Chile					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	3216	3576	2916	3276	0	4120
TOTAL Beginning Stocks	3216	3576	2916	3276	2884	4120
Prod. from Wine Grapes	4240	4240	5088	5889	0	6000
Prod. from Table Grapes	566	566	500	715	0	500
TOTAL PRODUCTION	4806	4806	5588	6604	0	6500
Intra-EU Imports	0	0	0	0	0	0
Other Imports	45	45	50	58	0	0
TOTAL Imports	45	45	50	58	0	0
TOTAL SUPPLY	8067	8427	8554	9938	2884	10620
Intra-EU Exports	0	0	0	0	0	0
Other Exports	2396	2396	2775	2760	0	3040
TOTAL Exports	2396	2396	2775	2760	0	3040
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	2755	2755	2895	3058	0	3200
TOTAL Dom.Consumption	2755	2755	2895	3058	0	3200
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	2916	3276	2884	4120	0	4380
TOTAL Ending Stocks	2916	3276	2884	4120	0	4380
TOTAL DISTRIBUTION	8067	8427	8554	9938	0	10620

Export Trade Matrix - Wine

(Year 2000 dat are for January - November only)

Export Trade Matrix			
Country	Chile		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Exports for:	1999		2000
U.S.	459345	U.S.	507545
Others		Others	
U.K.	477975	U.K.	442290
Canada	240329	Canada	283677
Germany	123499	Germany	155214
Denmark	118908	Denmark	130632
Norway	100494	Japan	97855
Japan	95410	Netherlands	77412
Argentina	85413	Sweden	75121
Netherlands	70977	France	71411
Sweden	69071	Norway	61768
France	57803	Mexico	58040
Total for Others	1439879		1453420
Others not Listed	496742		605085
Grand Total	2395966		2566050

Import Trade Matrix - Wine
(Year 2000 data are for January - November only)

Import Trade Matrix			
Country	Chile		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Imports for:	1999		2000
U.S.	111	U.S.	37
Others		Others	
Argentina	41641	Argentina	54993
France	2247	Spain	1591
Spain	531	France	343
Brazil	347	Italy	75
Italy	163	Germany	16
U.K.	69	Belgium	3
Portugal	22	U.K.	3
Germany	7	South Korea	2
Lebanon	1	So. Africa	1
Belgium	1		
Total for Others	45029		57027
Others not Listed	59		681
Grand Total	45199		57745